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Cochrane-Dunlop

Annual Report



1968

COCHRANE-DUNLOP HARDWARE LIMITED

EXECUTIVE OFFICES—160 Bloor Street East, Toronto, Ontario

921-3103

DIRECTORS

F. Cochrane	Toronto, Ontario
W. C. Cochrane	Toronto, Ontario
N. M. Perris	Ocean City, New Jersey, U.S.A.
A. E. Barron	Toronto, Ontario
E. A. Bird	Toronto, Ontario
R. L. Hearn	Queenston, Ontario
D. Higgins	Toronto, Ontario

OFFICERS

W. C. Cochrane	Chairman of the Board
F. Cochrane	President
E. A. Bird	Vice-President
D. Higgins	General Manager
R. L. T. Baillie	Secretary-Treasurer

WHOLLY-OWNED SUBSIDIARY COMPANIES

C-D Hardware Sales Limited
Cochrane-Dunlop Hardware—Quebec, Inc.
Cochrane-Dunlop Hardware Manitoba Limited
Cochrane-Dunlop Hardware Saskatchewan Limited
Dominion Hardware Stores Limited

TRANSFER AGENT AND REGISTRAR—

The Canada Trust Company—Toronto

COCHRANE - DUNLOP HARDWARE LIMITED

REPORT TO SHAREHOLDERS

The financial results for the 1968 year, shown in this report, are consolidated to include figures of all of the company's subsidiary companies, each of which is wholly-owned.

Operating results for both the Retail and the Wholesale divisions of the company show improvement in 1968, over 1967, in both sales and net income. Consolidated sales of \$35,661,895 are up \$2,549,766 or 7.7% from 1967 and consolidated net profit of \$518,531 is up \$61,988 or 13.6% from the previous year.

The 1968 year is highlighted by three developments:

- (1) The equipping and stocking of our warehouse in Esterhazy, Saskatchewan was completed. This warehouse was officially opened in June, 1968 and the branch is now well into its initial build-up and market development phase.
- (2) To continue our introduction into Saskatchewan, a second new facility in the province was built in Saskatoon. The structure was completed in December 1968 and installation of equipment is now essentially complete. At the present time, stocking is well advanced and we are now starting to develop the market potential of this important area.
- (3) Early in 1968 we announced a dealer franchise program, whereby selected retailers would operate under the group name "Dominion Hardware" and receive store-layout guidance and marketing and advertising assistance. This program has been co-ordinated by our Toronto wholesale branch and has had considerable success. Emphasis on this program will continue and we expect that the importance of this new marketing approach will be increasingly significant in the future.

Higher sales achieved in the Toronto, Sudbury and Thompson areas, and the initial sales generated by the new Esterhazy facility contributed to the sales increase for 1968 over 1967. These increases were offset in part by lower sales in the Sault Ste. Marie area, North Bay and Dryden. Generally, a reduction in business activity in these areas was the major factor influencing sales volume.

The major item of expenditure on fixed assets in the year was the \$359,000 cost of the Saskatoon warehouse and equipment. In addition, expenditures of \$58,000 were made to complete the Esterhazy facility and a program of branch equipment replacement and improvement was undertaken at a cost of \$55,000.

Toronto, Ontario
April 21, 1969

On Behalf of the Board
F. COCHRANE
President

Frank

COCHRANE-DUNLOP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1968

ASSETS	1968	1967
Current Assets:		
Cash	\$ 115,828	\$ 163,999
Marketable securities, at cost (approximate market value 1968—\$172,000—1967—\$120,000)	102,971	102,971
Accounts receivable	5,320,307	4,915,043
Merchandise inventory at lower of cost and market	5,870,093	5,096,050
Prepaid expenses and other assets	156,967	145,158
	<u>11,566,166</u>	<u>10,423,221</u>
Fixed Assets (at cost):		
Building and equipment	3,777,345	3,377,022
Furniture and fixtures	1,072,670	989,939
Automotive equipment	134,393	149,342
	<u>4,984,408</u>	<u>4,516,303</u>
Accumulated depreciation	2,759,493	2,566,312
	<u>2,224,915</u>	<u>1,949,991</u>
Land	285,027	286,111
	<u>2,509,942</u>	<u>2,236,102</u>
	<u>\$14,076,108</u>	<u>\$12,659,323</u>

On behalf of the Board: W. C. COCHRANE, *Director*

A. E. BARRON, *Director*

AUDITOR

TO THE SHAREHOLDERS OF
COCHRANE-DUNLOP HARDWARE LIMITED:

We have examined the consolidated balance sheet of Cochrane-Dunlop Hardware Limited and its subsidiaries and consolidated source and application of funds for the year then ended. Our examination included a general review of the records necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company at the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with the accounting policy adopted.

Toronto, Canada.
April 10, 1969.

HARDWARE LIMITED

Y COMPANIES

LIABILITIES

1968

1967

Current Liabilities:

Bank indebtedness	\$ 1,128,965	\$ 716,972
Accounts payable and accrued charges	3,696,246	3,040,447
Income and other taxes payable	475,984	517,434
Dividends payable	117,833	117,833
	<u>5,419,028</u>	<u>4,392,686</u>

Shareholders' equity:

Capital stock (note 1)

Authorized:

- 2,853,708 non-cumulative preference shares of par value 20¢ each
redeemable at par
- 17,092 class "A" shares of no par value
- 143,018 common shares of no par value

Issued and fully paid:

17,092 class "A" shares }	533,700	533,700
143,018 common shares }		
Retained earnings (note 2)	8,123,380	7,732,937
	<u>8,657,080</u>	<u>8,266,637</u>
	<u>\$14,076,108</u>	<u>\$12,659,323</u>

NOTES:

1. During the year, 572,072 non-cumulative preference shares were issued as a stock dividend and subsequently redeemed.
2. At December 31, 1968, retained earnings include \$417,998 tax-paid undistributed income.

REPORT

es as at December 31, 1968, and the statements of consolidated income, consolidated retained earnings and
he accounting procedures and such tests of accounting records and other supporting evidence as we considered

as at December 31, 1968, and the results of their operations and the source and application of their funds for
that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants.

COCHRANE - DUNLOP HARDWARE LIMITED

AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME

for the year ended December 31, 1968

1968

1967

Sales	\$35,661,895	\$33,112,129
Cost of goods sold including selling, general and administrative expenses .	34,361,824	31,990,791
Operating income	1,300,071	1,121,338
Income from investments	6,875	6,875
	1,306,946	1,128,213
Depreciation	218,415	182,268
Interest on long term debt	—	2,402
	218,415	184,670
Net income before income taxes	1,088,531	943,543
Income taxes	570,000	487,000
Net income for the year	\$ 518,531	\$ 456,543

NOTE: Remuneration of directors and senior officers amounted to \$148,744 in 1968.

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

for the year ended December 31, 1968

1968

1967

Balance, beginning of year	\$ 7,732,937	\$ 7,404,482
Net income for the year	518,531	456,543
	8,251,468	7,861,025
Deduct dividends:		
Common shares	114,414	114,414
Class "A" shares	13,674	13,674
	128,088	128,088
Balance, end of year	\$ 8,123,380	\$ 7,732,937

/share

3.62

*310
319*

COCHRANE - DUNLOP HARDWARE LIMITED

AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1968

1968

1967

Source of Funds:

Net income for the year	\$ 518,531	\$ 456,543
Depreciation	218,415	182,268
	<u>736,946</u>	<u>638,811</u>

Application of Funds:

Expenditures on fixed assets (net)	492,255	356,804
Dividends	128,088	128,088
	<u>620,343</u>	<u>484,892</u>
Increase in working capital	116,603	153,919
Working capital at beginning of year	6,030,535	5,876,616
Working capital at end of year	<u>\$6,147,138</u>	<u>\$6,030,535</u>

WHOLESALE BRANCHES

ONTARIO— Dryden
 Elliot Lake
 Little Current
 North Bay
 Port Arthur
 Sault Ste. Marie
 Sudbury
 Toronto
 Wawa

QUEBEC— Val d'Or


MANITOBA— Thompson

SASKATCHEWAN— Esterhazy
 — Saskatoon

RETAIL BRANCHES

ONTARIO— Copper Cliff
 Guelph
 Hamilton
 Lively
 North Bay
 Oakville
 Peterborough
 Sault Ste. Marie (2)
 Sudbury (2)

MANITOBA— Thompson



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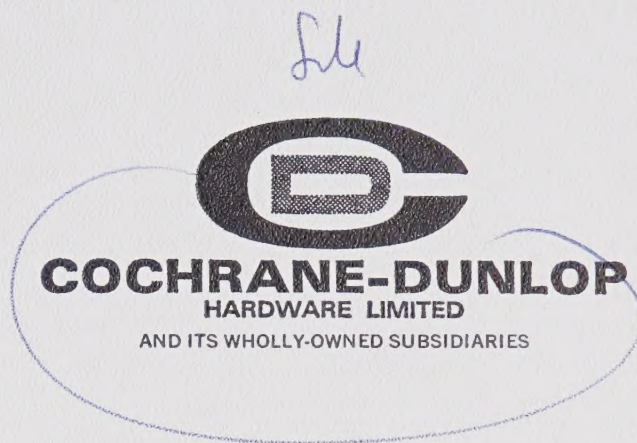
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COCHRANE-DUNLOP HARDWARE LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES

**STATEMENT OF CONSOLIDATED SOURCE
AND APPLICATION OF FUNDS**

	six months ended June 30	
	1968	1967
Source of funds:		
Net income for the period.....	\$ 161,318	\$ 111,441
Depreciation.....	91,515	82,000
Proceeds of sale of fixed assets..	758	3,000
	<u>253,591</u>	<u>196,441</u>
Application of funds:		
Expenditures on fixed assets....	88,170	55,437
Dividends.....	6,836	6,836
	<u>95,006</u>	<u>62,273</u>
Increase in working capital.....	\$ <u>158,585</u>	\$ <u>134,168</u>
Working capital at June 30th.....	<u>\$6,189,120</u>	<u>\$6,010,784</u>

Note: Subject to audit and year end adjustments.



Report for the six months ended
June 30, 1968

EXECUTIVE OFFICES
160 BLOOR STREET EAST
TORONTO 5, ONTARIO
PHONE 416/921-3103

COCHRANE-DUNLOP HARDWARE LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARIES

REPORT FOR THE SIX MONTHS ENDED JUNE 30, 1968

TO THE SHAREHOLDERS:

The unaudited statements of income and source and application of funds for the first six months of 1968, with comparative figures for 1967, are shown in the attached report.

Sales for the period have increased by 11.4%. This is primarily due to our concerted efforts in recent years to gain larger market participation through our major branches, particularly in the dealer and industrial areas. It is anticipated that we will continue to show an improvement over 1967, in both sales and in profits.

Our new warehouse in Esterhazy, Saskatchewan has been in operation since March, 1968 and has contributed to the improved sales results.

Construction has commenced on a new warehouse in Saskatoon, Saskatchewan.

Toronto, Ontario
August 14, 1968

F. COCHRANE
President

COCHRANE-DUNLOP HARDWARE LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME

	six months ended June 30	
	1968	1967
Sales.....	\$16,431,765	\$14,749,826
Cost of goods sold including selling, general and administrative expenses.....	16,017,369	14,447,197
Operating income.....	414,396	302,629
Income from investments.....	3,437	3,437
	417,833	306,066
Depreciation.....	91,515	82,000
Interest on indebtedness.....	—	2,625
	91,515	84,625
Net income before income taxes...	326,318	221,441
Income taxes.....	165,000	110,000
Net income for the period.....	\$ 161,318	\$ 111,441

Note: Subject to audit and year end adjustments.
